MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2016/2017

BAC3654 – PROFESSIONAL ETHICS

(All sections / Groups)

11 MARCH 2017
2.30 p.m – 5.30 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR (4)** printed pages with **FOUR (4)** questions.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of marks for each question is given.
3. Please write all your answers in the booklet provided.

QUESTION ONE (25 marks)

Read the following article, and then answer the given questions.

Auditors find it tough to unmask corporate fraud: It is on rising trend, increasing 14% from three years ago
by Zunaira Saieed

Talk about corporate fraud and it is likely that most Malaysians will give a blank stare. An impromptu survey done by Star Biz Week in Kuala Lumpur's central business district revealed the extent to which people know about corporate fraud. Of the 25 people, 23 did not know or did not want to comment on it. Experts say that corporate fraud is on the rise but that is difficult to ascertain since most research depends on survey respondents. Perhaps, the technology to detect such activities is better and the regulators have become more adept. But it is for sure that globalisation of economic activities and technologies have also played a part in making fraudulent activities harder to detect or prosecute.

In a survey report, Kroll Inc, the New York-based corporate investigations and risk consulting firm, states that fraud is on an increasing trend, up 14% in its Kroll Global Fraud Report 2015/2016, from three years ago. The report noted that three-quarters of survey respondents were victims in the past year. The report also says that the number of companies weighed down in terms of financial loss arising from fraud has also increased to 69% last year, compared with 64% in 2014. An interesting observation among Malaysians is the equating of fraud with corruption. While it's not exactly the same, there is often an element of corruption involved, as in people being paid off to turn the other way while fraudulent activity is being committed. Creative accounting is usually what comes to mind among people who have any opinion at all about corporate fraud.

Vestra Solutions managing consultant and certified fraud examiner Gerald Pillai points out that developing countries such as Malaysia can see fraudulent activities rising, especially in economically challenging times while Baker Tilly Monteiro Heng corporate advisory partner Andrew Heng says corporate fraud is becoming more complex and has become increasingly difficult for auditors to detect. He adds that this is complicated by organisations forming shell companies abroad to create a semblance of legitimate business transactions.

"You can create companies overseas and pretend to buy things from you on paper which could look normal, until you see the place and there is nothing there.

"The level of detection and investigative work definitely will need to be increased, which will make it even harder for auditors to detect. It will not be something that you can instantly pick from the accounts," Heng says.

Source: http://www.thestar.com.my/business/business-news/2016/08/27/auditors-find-it-tough-to-unmask-corporate-fraud/ [Accessed on 14 December 2016]

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Required:

a. Using the Fraud Triangle Theory, discuss the contributing factors to the rising trend of fraudulent financial reporting in developing countries. **(9 marks)**

b. From the article, explain the impact of corporate fraud from the perspective of utilitarianism, deontology and fairness. **(6 marks)**

c. Offer suggestions on how to enhance professional accountants' expertise and skills in dealing with increase cases of corporate fraud. **(10 marks)**

Total: 25 marks

QUESTION TWO (25 marks)

Since the year 2000, the Securities Commission (SC) has revised the Code on Corporate Governance twice, in 2007 and in 2012. The issuance of the Code is to promote good corporate governance among Malaysian listed companies. Further to that, the SC has also established an Audit Oversight Board (AOB) in 2010. Due to SC great efforts, it seems that Malaysia has moved ahead among Asian countries in term of corporate governance.

Required:

a. Explain **SIX (6)** corporate governance principles of Malaysian Code of Corporate Governance (Revised 2012). **(12 marks)**

b. Explain why it is a good practice for the roles of Chief Executive Officer and Chairman in an organization to be clearly separated. **(5 marks)**

c. Discuss **FOUR (4)** primary functions of the audit committee. **(8 marks)**

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QUESTION THREE (25 marks)

Read the following case, and then answer the given questions

Subang Jaya telco tower project halted after residents' protest
by Anthea Yap

SUBANG JAYA: The construction of telecommunication towers in 18 designated locations under the Subang Jaya Municipal Council (MPSJ) has been postponed with immediate effect. MPSJ president, Datuk Nor Hisham Ahmad Dahlan said, this is to facilitate further discussions with the residents in the affected areas which will be conducted in the near future. Discussions will also include the council's town planners.

"After much deliberation yesterday, we feel that this matter needs to be postponed and we will conduct discussions with the residents' community members to discuss in depth the best method to overcome this matter," Nor Hisham told Astro AWANI today.

Among the designated locations for the proposed construction of telecommunications towers include Persiaran Puteri, Persiaran Puncak Jalil, Bandar Kinrara 3, USJ21, Persiaran Subang Damai, Persiaran Putra Permai and SS18 Subang Jaya. Nor Hisham said the council only has jurisdiction on the locations of the proposed construction site, and the telecommunication company is required to acquire approval to erect the towers from the Land and Survey Department apart from the Communications and Multimedia Commission (MCMC).

On Tuesday, SS18 residents held a protest, claiming that the council had failed to consult them before approving the project for a 30-metre tall telco tower to be built near their main playing field. They said living too near to the tower would put the health of some 2,000 residents living in the area at risk.

Required:

a. Using the GONE theory, explain why several development projects resulted in conflict between stakeholders. **(6 marks)**

b. Applying the Velasquez Approach, advise the Subang Jaya Municipal Council, how to proceed with the proposed projects. **(8 marks)**

c. Using the 5 Questions Approach, would it be appropriate for the telecommunication company to erect the towers. **(11 marks)**

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QUESTION FOUR (25 marks)

The Malaysian Institute of Accountants by-Laws have been issued pursuant to Section 10(a) of the Accountants Act 1967. The latest version was issued by the Council of MIA in December 2010 and came into effect on 1 January 2011, thus it revoked and superseded the January 2007's version of the by-Laws

a. Explain the threats that could compromise the professional accountants' fundamental principles? **(10 marks)**

b. Discuss why is an accountant regarded as a profession, not as an occupation?

(10 marks)

c. Explain why professional accountants are interested on risk management.

(5 marks)

Total: 25 marks

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